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ABSTRACT

A survey of the states was conducted, focusing on coordination of services and financing for Part H of the Individuals with Disabilities Education Act. On average, states reported using some 21 different sources to support the service delivery system, with each of the 44 funding sources listed being used by at least one state for at least 1 percent of the Part H financing package. Other findings indicated that gaining access to Medicaid funds consumes much time and human resources at the state level. Some 25 percent of states reported that Medicaid is not used at all. Other federal programs used in financing services included the Chapter 1/Handicapped program, Maternal and Child Health Block Grant program, and the Women, Infants, and Children program. More than half the total financing appears to be from federal funds. At the state level, Mental Retardation and Developmental Disabilities programs are used most heavily. State resources are estimated to contribute one third of the program costs, while nongovernmental sources (private health insurance and voluntary health agencies) support about one tenth of the total cost of Part H services. Most states have elected to postpone fifth year program participation. Five recommendations to state and federal governments are offered. (DB)

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FINANCING PART H SERVICES:

A STATE LEVEL VIEW

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Over the past four years, the Carolina Policy Studies Program (CPSP) has been examining state level implementation of the comprehensive service system for infants and toddlers with disabilities and their families under Part H of the Individuals with Disabilities Act, IDEA (formerly P.L. 99-457). As part of the overall effort, a survey of states -- focusing on coordination of Part H services and financing -- was conducted in the last half of 1991. The survey was an attempt to extend and test what has been learned from a series of case studies of six diverse states, and to provide a more complete picture of how states across the country are attempting to implement the provisions of the law. The survey was completed by Part H coordinators in 38 states. Below is a brief summary of the conclusions and recommendations from the survey.

The results of the survey attest to the huge efforts of state personnel to implement Part H of IDEA. The legislation envisioned states accessing a broad array of sources of financing to support a system of services for infants and toddlers with disabilities and their families. In fact, each of the 44 different sources of financing we asked about was being used by at least one state for at least one percent of the financing package for Part H services. On average, states report using some 21 different sources to support the service delivery system. The states have taken the legislation at face value and have put forth incredible energy to make the most of the opportunities and challenges to improve services for these children and their families.

In implementing the law, states have found that financing the system was not simply a matter of gaining access to federal sources of funds which were adequate to pay the full cost of the services needed. Making the system a viable service delivery system is requiring a substantial investment of state resources as well as taking full advantage of the federal sources. It is clear from both the current survey and previous interactions with a small number of states in our case study efforts (Clifford, 1991) that gaining access to Medicaid, in particular, is a time and human resource consuming process. States have had to expend much time and effort that could have been directed at building the service system to the task of figuring out how to make the public health insurance system accessible to service providers. Still, some 25% of states reported that Medicaid is not used at all and another 20% report that the federal portion of Medicaid accounts for less than 5% of their program costs. And that is some 5 years after the legislation passed Congress.

Of course part of the difficulty in accessing Medicaid is tied to the fact that it is jointly funded by the federal and state governments. State governments have seen dramatic increases in the proportion of their budgets required to finance the rapidly expanding budget needs of the program in general, and are reluctant to support adding new cost items to the program. In spite of these difficulties, most states have made the commitments necessary to make Medicaid a key element in financing Part H services.

Other federal programs have also played an important role in financing the needed services -- particularly the Part H program itself, the Chapter 1/Handicapped program, Maternal and Child Health Block Grant program, WIC, the EPSDT portion of Medicaid, and the Social Services Block Grant. Seven of the 15 most heavily used sources are federal. We estimate that more than half of the total financing is born by the federal government.

As mentioned above, state financing plays a critical role in financing services. State Mental Retardation and Developmental Disabilities programs are used most heavily. The state portion of the Medicaid program is the next most heavily used source, with Public Health/Mental Health programs a close third. The state must also match the Maternal and Child Health Block Grant program of the federal government. State special education funds also are a major source of financing of services, with targeted state appropriations playing a less significant but still important role. State resources contribute an estimated one third of the total costs of operating the program.

In addition, nongovernmental sources have played a much smaller, but still important role in the financial picture. Private health insurance and voluntary health agencies are at the bottom of the fifteen most used sources of support for Part H services. Overall, we estimate that the nongovernmental sources support only about one tenth of the total cost of Part H services.

While states have made major efforts to obtain financing for Part H services, they are still well short of obtaining the total

amount necessary to move to full financing of the system. Thus we have seen the vast majority of states elect to postpone fifth year participation in the program. Below we present several recommendations regarding future efforts at both the state and federal level to improve the current situation.

RECOMMENDATIONS

I. STATES SHOULD CONTINUE TO FOCUS ON MEDICAID AS A SOURCE OF FINANCING PART H SERVICES.

Most states have found ways to access Medicaid and are doing so substantially. However, there is much more that needs to be done in states to fully utilize the Medicaid options. There are questions about how a proposed "cap" on Medicaid would affect the ability of states to maximize the potential use of medicaid as a source of financing for Part H services.

II. STATES MUST ALSO FOCUS ON STATE SOURCES

The particular sources used most within a state - education, developmental disabilities, or health--seem to be dependent on the situation in a given state. Broadening the network of formal agency involvement in the planning appears to facilitate access to sources of financing.

III. STATES MUST, AT LEAST IN THE SHORT RUN, BROADEN THEIR FOCUS TO INCLUDE MORE SOURCES.

Findings from previous examinations of Part H financing indicated that successful states were targeting a few major sources of funding. The survey results indicate that states are now broadening their efforts to access sources.

IV. STATES MUST WORK WITH FEDERAL AGENCY PERSONNEL AND CONGRESS TO DEVELOP A MORE COHERENT, SIMPLIFIED APPROACH TO FINANCING PART H SERVICES.

While we recommend short term efforts to maximize use of a broader range of sources of funds for Part H services (III above), we are convinced that major reform is needed to sharply reduce the number of sources and simultaneously greatly increase the amount of funding from this small number of sources of financing.

V. A NEW FEDERAL APPROACH TO FINANCING PART H MUST BE DEVELOPED AND IMPLEMENTED. The federal government should reform the system to provide a greatly simplified and focused approach to financing the vision of providing appropriate services to infants and toddlers with disabilities and their families beginning at the earliest possible time in the lives of these young children. Several reasonable alternatives exist for reducing the current excessive costs of attempting to coordinate the large number of funding streams required to adequately finance services. Some suggested options are funding all Part H services under Medicaid, earmarking portions of each major piece of federal legislation affecting children to fund Part H services, and increasing Part H funds themselves to cover financing of services (Clifford, Kates, Black, Eckland, & Bernier, 1991).

Table 12. Top Fifteen Sources of Financing Part H Early Intervention Services (n=30[1])

Rank	Source (# in Item 23)	Type of $$	No. states using at least 5% (%)	No. states using less than 5% (%)	Total no. states using (%)	Number of states using source at least 5% by Lead Agency type: Health (n=7)	HS/DD (n=12)	Education (n=8)	IA/Gov's Off (n=3)	Weighted Sum
1	Part H (1)	Federal Education	19 (63.3%)	10 (33.3%)	29 (96.7%)	3 (42.9%)	9 (75.0%)	5 (62.5%)	2 (66.7%)	338
2	Mental Retardation/ Developmental Dis (41)	State	14 (46.7%)	10 (33.3%)	24 (80.0%)	1 (14.3%)	10 (83.3%)	2 (25.0%)	1 (33.3%)	254
3	Chapter 1/ Handicapped (5)	Federal Education	15 (50.0%)	12 (40.0%)	27 (90.0%)	4 (57.1%)	5 (41.7%)	5 (62.5%)	1 (33.3%)	246
4	Medicaid (12)	Federal Hea/Hum Serv	17 (56.7%)	6 (20.0%)	23 (76.7%)	3 (42.9%)	8 (66.7%)	4 (50.0%)	1 (33.3%)	244
5	Medicaid match (34)	State	10 (33.3%)	13 (43.3%)	23 (76.7%)	1 (14.3%)	5 (41.7%)	4 (50.0%)	0	165
6	Public Health/ Mental Health (38)	State	10 (33.3%)	8 (26.7%)	18 (60.0%)	3 (42.9%)	4 (33.3%)	2 (25.0%)	1 (33.3%)	148
7	Mat/Child Health Block Grant (14)	Federal Hea/Hum Serv	7 (23.3%)	18 (60.0%)	25 (83.3%)	1 (14.3%)	3 (25.0%)	2 (25.0%)	1 (33.3%)	136
8	Mat/Child Health match (35)	State	7 (23.3%)	10 (33.3%)	17 (56.7%)	1 (14.3%)	3 (25.0%)	2 (25.0%)	1 (33.3%)	118
9	Women/Infnts/Child Suppl Food Pgm (30)	Federal Other	6 (20.0%)	13 (43.3%)	19 (63.3%)	1 (14.3%)	2 (16.7%)	2 (25.0%)	1 (33.3%)	109
10	Special Education (36)	State	5 (16.7%)	10 (33.3%)	15 (50.0%)	1 (14.3%)	1 (8.3%)	2 (25.0%)	1 (33.3%)	108
10	Early & Periodic Scrng/Diag/Trtmnt (13)	Federal Hea/Hum Serv	4 (13.3%)	20 (66.7%)	24 (80.0%)	1 (14.3%)	2 (16.7%)	0	1 (33.3%)	108
12	Social Services Block Grant (19)	Federal Hea/Hum Serv	5 (16.7%)	10 (33.3%)	15 (50.0%)	0	3 (25.0%)	1 (12.5%)	1 (33.3%)	100
13	Private Health Insurance (43)	Non-Governmental	4 (13.3%)	18 (60.0%)	22 (73.3%)	1 (14.3%)	1 (8.3%)	1 (12.5%)	1 (33.3%)	94
14	Targeted Appropriations (39)	State	5 (16.7%)	10 (33.3%)	15 (50.0%)	1 (14.3%)	3 (25.0%)	0	1 (33.3%)	90
14	Voluntary Health Agencies (45)	Non-Governmental	4 (13.3%)	16 (53.3%)	20 (66.7%)	1 (14.3%)	3 (25.0%)	0	0	90

[1] Thirty eight states responded to the survey. Two states were eliminated from this analysis due to our inability to interpret their answers. Six states did not answer this item on the survey.

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